MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

The following MD&A for Total Energy Services Inc. ("Total Energy" or the "Company") was prepared as at March 10, 2022 and focuses on information and key statistics from the audited consolidated financial statements of the Company for the year ended December 31, 2021 (the "2021 Financial Statements") and pertains to known risks and uncertainties relating to the energy services sector. This discussion should not be considered all-inclusive as it does not include all changes regarding general economic, political, governmental and environmental conditions.

This MD&A should be read in conjunction with the Company's 2021 Financial Statements, the Company's 2021 Annual Report, the Annual Information Form ("AIF") for the year ended December 31, 2021 and the cautionary statement regarding forward-looking information and statements below. Additional information relating to Total Energy, including the Company's AIF, may be found on SEDAR at www.sedar.com.

Unless otherwise indicated, all dollar amounts presented herein are in thousands of Canadian dollars except per share amounts which are presented in Canadian dollars.

FINANCIAL HIGHLIGHTS

	Three months ended December 31			Year ended December 31		
	2021	2020	Change	**2021**	2020	Change
Revenue	**$ 134,629**	$ 83,472	61%	**$ 431,576**	$ 365,750	18%
Operating income (loss)	**1,680**	(4,013)	nm	**(1,413)**	(36,539)	(96%)
EBITDA (1)	**22,567**	19,546	15%	**86,015**	81,204	6%
Cashflow	**22,144**	18,431	20%	**80,191**	73,437	9%
Net income (loss)	**1,036**	(1,732)	nm	**(428)**	(30,455)	(99%)
Attributable to shareholders	**1,049**	(1,739)	nm	**(360)**	(30,450)	(99%)
Per Share Data (Diluted)						
EBITDA (1)	**$ 0.52**	$ 0.43	21%	**$ 1.93**	$ 1.80	7%
Cashflow	**$ 0.51**	$ 0.41	24%	**$ 1.80**	$ 1.63	10%
Attributable to shareholders:						
Net income (loss)	**$ 0.02**	$ (0.04)	nm	**$ (0.01)**	$ (0.68)	(99%)
Common shares (000's) (3)						
Basic	**43,341**	45,081	(4%)	**44,384**	45,083	(2%)
Diluted	**43,818**	45,081	(3%)	**44,673**	45,083	(1%)

	December 31		
Financial Position at	**2021**	2020	Change
Total Assets	**$ 813,522**	$ 849,579	(4%)
Long-Term Debt and Lease Liabilities (excluding current portion)	**196,007**	238,937	(18%)
Working Capital (2)	**137,304**	138,940	(1%)
Net Debt (1)	**58,703**	99,997	(41%)
Shareholders' Equity	**493,437**	510,987	(3%)

(1) Please see "Non-IFRS Measures" below for the definition of EBITDA and Net Debt.

(2) Working capital means current assets minus current liabilities.

(3) Basic and diluted shares outstanding reflect the weighted average number of common shares outstanding for the period. See note 16 to the 2021 Financial Statements.

"nm" - calculation not meaningful

BUSINESS OF THE COMPANY

Total Energy is a public energy services company based in Calgary, Alberta that provides a variety of products and services to the energy and other resource industries through its subsidiaries and aboriginal partnerships. Total Energy is involved in four businesses: contract drilling services ("CDS"), the rental and transportation of equipment used in energy and other industrial operations ("RTS"), the fabrication, sale, rental and servicing of new and used gas compression and process equipment ("CPS") and well servicing, including completion, workover, maintenance and abandonment services ("WS"). The Company's operations are conducted within Canada, the United States of America ("United States" or "U.S.") and Australia. Corporate and public issuer affairs are conducted in the Company's Corporate segment.

Contract Drilling Services: At December 31, 2021, the Company operated a total fleet of 95 drilling rigs. The rig fleet is supported by an extensive fleet of owned top drives, walking systems, pumps and other ancillary equipment. Composition of the Company's drilling rig fleet is as follows:

By Type	
AC triples	3
AC doubles	13
Mechanical doubles	35
Australian shallow	5
TDS and singles	39
	95

By Geography	
Canada	77
United States	13
Australia	5
	95

Rentals and Transportation Services: Total Energy's RTS business is presently conducted from 12 locations in western Canada and three locations in the United States. At December 31, 2021, this segment had approximately 9,420 pieces of major rental equipment (excluding access matting), a fleet of 79 heavy trucks and an inventory of small rental equipment and access matting.

Compression and Process Services: The Company fabricates a full range of natural gas compression equipment as well as oil, natural gas and other process equipment. At December 31, 2021 the CPS segment occupied approximately 246,000 square feet of production facilities located in Calgary, Alberta and a 100,000 square foot production facility in Weirton, West Virginia. As at December 31, 2021 the CPS segment also had a network of 13 branch locations throughout western Canada and the United States from which its natural gas compression parts and service business is conducted. This segment had 53,800 horsepower of compression in its rental fleet at December 31, 2021.

Well Servicing: At December 31, 2021, the Company operated a total fleet of 80 well servicing rigs across western Canada, northwest United States and Australia. Composition of the Company's service rig fleet is as follows:

By Type	
Singles	38
Doubles	29
Australian specification	9
Flush-by	4
	80

By Geography	
Canada	57
United States	11
Australia	12
	80

OVERALL PERFORMANCE

Selected annual financial information derived from the audited consolidated financial statements of the Company for the three most recently completed financial years is set forth below and is prepared in accordance with IFRS.

	Year ended December 31		
(in thousands of dollars except per share amounts)	**2021**	2020	2019
Revenue	**$ 431,576**	$ 365,750	$ 757,398
Cash provided by operations	**89,575**	86,122	73,055
Cashflow	**80,191**	73,437	111,727
Net (loss) income	**(428)**	(30,455)	10,091
Attributable to shareholders	**(360)**	(30,450)	10,527
Per share (diluted)	**(0.01)**	(0.68)	0.23
Dividends declared per share	**–**	–	0.24
Total assets	**813,522**	849,579	997,161
Long term liabilities (excluding current lease liabilities, current portion of long-term debt and deferred tax liability)	**196,007**	238,937	248,448

Total Energy's results for the fourth quarter and year ended December 31, 2021 reflect continued improving North American industry conditions from the difficult industry environment that began in March of 2020 and continued into the first half of 2021 as a result of the COVID-19 pandemic and resultant decreases in economic activity and demand for oil and natural gas. As social mobility restrictions began to ease globally over the past several months, global oil and natural gas demand has continued to recover, resulting in improved oil and natural gas prices. Higher commodity prices contributed to improved year over year North American industry activity levels which in turn contributed to a realization of operating income in the fourth quarter of 2021. This is the second consecutive quarter of operating income since the collapse in oil prices in April of 2020. Activity levels in Australia were lower for the year ended December 31, 2021 compared to 2020. Wet field conditions combined with reduced capital expenditure programs that began in the third quarter of 2020 in response to the decline in global crude oil and natural gas prices contributed to the decline in Australian activity levels. Additionally, two Australian drilling rigs were removed from service in the third quarter of 2020 for recertification and upgrades. The first rig was completed and commenced operations in late April of 2021 and the second rig commenced operations in late July of 2021. A third rig was removed from service in the third quarter of 2021 and commenced operations in early February of 2022.

Included in the financial results for the three months and year ended December 31, 2021 was a $0.4 million unrealized loss and a $2.2 million unrealized gain, respectively, of unrealized foreign exchange gains and losses from the translation of intercompany working capital balances of foreign subsidiaries. For the three months and year ended December 31, 2020 results included $0.8 million of unrealized foreign exchange losses and $6.0 million of unrealized foreign exchange gains, respectively. Also negatively impacting financial results for the year ended December 31, 2020 was $26.3 million of non-recurring depreciation expense as a result of a change in CDS depreciation estimates effective April 1, 2020.

The Company's financial condition remains strong, with a positive working capital balance of $137.3 million as at December 31, 2021, which is fairly consistent with December 31, 2020. Shareholders' equity decreased by $17.6 million from December 31, 2020 due primarily to a $10.0 million decrease resulting from the repurchase and cancellation of shares under the Company's normal course issuer bid and an $8.0 million other comprehensive loss arising from currency translation of foreign subsidiaries' financial statements as a result of the appreciation of the Canadian dollar relative to the U.S. and Australian dollars during the year ended December 31, 2021.

Revenue

	Three months ended			Year ended		
December 31	**2021**	2020	Change	**2021**	2020	Change
Revenue	**$ 134,629**	$ 83,472	61%	**$ 431,576**	$ 365,750	18%

The global energy sector recovery from the dual shocks of the COVID-19 pandemic and the collapse in oil prices continued during the fourth quarter of 2021 with increasing product demand and commodity prices. As a result, revenues in the fourth quarter and year ended December 31, 2021 improved relative to the same periods in 2020. North American activity levels were the main drivers of the year over year increase as Australian activity levels remained lower compared to 2020 until the fourth quarter.

Cost of Services and Gross Margin

	Three months ended			Year ended		
December 31	**2021**	2020	Change	**2021**	2020	Change
Cost of services	**$ 103,657**	$ 59,107	75%	**$ 323,092**	$ 266,720	21%
Gross margin	**$ 30,972**	$ 24,365	27%	**$ 108,484**	$ 99,030	10%
Gross margin, as a percentage of revenue	**23%**	29%	(21%)	**25%**	27%	(7%)

The increase in costs of services during the fourth quarter and year ending December 31, 2021 relative to the same periods in 2020 is primarily due to increased activity in North America and $0.3 million and $1.9 million, respectively, of rig reactivation costs. This was partially offset by lower Australian activity. Reducing operating costs for the three months and year ended December 31, 2021 was the recognition of $1.3 million and $17.8 million, respectively, of funds from various COVID-19 relief programs as compared to $8.0 million and $18.0 million of funds, respectively, for the same periods in 2020. Gross margin percentage for both the three months and year ended December 31, 2021 was lower as compared to the same periods last year due to a combination of segment revenue mix, costs incurred to reactivate rigs in the U.S. and Australia and less COVID-19 relief funds recorded in 2021.

Cost of services includes salaries and benefits for operations personnel, equipment repairs and maintenance, fuel, inventory used to manufacture compression and process equipment, utilities, property taxes and other occupancy costs related to manufacturing facilities and operations branches.

Selling, General and Administration Expenses

	Three months ended			Year ended		
December 31	**2021**	2020	Change	**2021**	2020	Change
Selling, general and administration expenses	**$ 8,372**	$ 5,277	59%	**$ 28,234**	$ 27,309	3%

Selling, general and administration expenses increased in the fourth quarter and year ended December 31, 2021 relative to the same periods in 2020 primarily due to the restoration of employee remuneration to pre-COVID levels combined with a reduction in funds recognized under various COVID-19 relief programs. Also included in selling, general and administrative expenses is a $1.1 million increase to the bad debt allowance during the year ended December 31, 2021. Reducing costs for the three months and year ended December 31, 2021, was $0.1 million and $2.0 million, respectively, of assistance recognized under various COVID-19 relief programs as compared to $1.1 million and $3.1 million, respectively, recognized during the same periods in 2020.

Included in selling, general and administration expenses are salaries and benefits for sales, office and administrative staff, utilities, property taxes and other occupancy costs related to the Company's various divisional offices and its corporate head office as well as professional fees and other costs incurred to maintain the Company's public listing and conduct investor relations activities. Also included is compensation for directors and officers pursuant to the Company's cash-based compensation plans.

Other (Income) Expense

	Three months ended			Year ended		
December 31	**2021**	2020	Change	**2021**	2020	Change
Other (income) expense	**$ 448**	$ 844	(47%)	**$ (2,206)**	$ (5,969)	(63%)

Other (income) expense arises from unrealized foreign exchange differences on translation of intercompany working capital balances of foreign subsidiaries. In the fourth quarter of both 2021 and 2020, the depreciation of the Canadian dollar relative to the Australian dollar combined with the geographical composition of intercompany balances resulted in a net unrealized foreign exchange loss. For the year ended December 31, 2021 the overall strengthening of the Canadian dollar relative to the Australian and U.S. dollars in combination with the geographical composition of intercompany balances resulted in a net unrealized foreign exchange gain of $2.2 million. This compares to a net unrealized gain of $6.0 million for the same period last year, which was primarily driven by the geographical composition of intercompany balances as the Canadian dollar strengthened relative to the U.S. dollar and the Canadian dollar depreciated relative to the Australian dollar.

Share-based Compensation Expense

	Three months ended			Year ended		
December 31	**2021**	2020	Change	**2021**	2020	Change
Share-based compensation expense	**$ 228**	$ 176	30%	**$ 804**	$ 866	(7%)

Share-based compensation expense arises from share options granted pursuant to the share option plan implemented in 2015. Share-based compensation expense for the three months ended December 31, 2021 was higher relative to the same period in 2020 due to the grant of options during the period that was partially offset by previously granted options fully vesting. For the year ended December 31, 2021 share-based compensation expense was relatively consistent with 2020.

Depreciation Expense

	Three months ended			Year ended		
December 31	**2021**	2020	Change	**2021**	2020	Change
Depreciation expense	**$ 20,244**	$ 22,081	(8%)	**$ 83,065**	$ 113,363	(27%)

The decrease in depreciation expense for the three months and year ended December 31, 2021 compared to the same periods in 2020 is mostly due to a change in depreciation estimates in the CDS segment effective April 1, 2020 as well as certain assets reaching full depreciation. This change in depreciation estimates resulted in $2.9 million of incremental recurring depreciation expense for the year ended December 31, 2021 and $26.3 million of non-recurring depreciation expense for the same period in 2020. See "Critical Accounting Estimates" below for further details.

Operating Income (Loss)

	Three months ended			Year ended		
December 31	**2021**	2020	Change	**2021**	2020	Change
Operating income (loss)	**$ 1,680**	$ (4,013)	nm	**$ (1,413)**	$ (36,539)	(96%)

"nm" - calculation not meaningful

Increased North American activity contributed to the realization of operating income in the fourth quarter of 2021 as compared to an operating loss for the same period in 2020. Included in operating income for the fourth quarter of 2021 was a $0.4 million unrealized loss on foreign exchange translation of intercompany working capital as compared to a $0.8 million unrealized loss in the comparable prior year period. In the fourth quarter of 2021 $1.4 million of COVID-19 relief funds were recognized, as compared to $9.1 million of COVID-19 funds recognized in the prior year comparable period. For the year ended December 31, 2021 operating losses were lower as compared to 2020. Included in the year ended December 31, 2020 was $26.3 million of non-recurring depreciation expense as a result of a change in depreciation estimates in the CDS segment. Offsetting expenses for the year ended December 31, 2021 was $19.8 million of COVID-19 relief funds as compared to $21.1 million of funds recognized in the year ended December 31, 2020. Also included in the 2021 year was a $2.2 million unrealized gain on foreign exchange translation of intercompany working capital as compared to a $6.0 million unrealized gain on foreign exchange translation of intercompany working capital in 2020.

Gain on Sale of Property, Plant and Equipment

	Three months ended			Year ended		
December 31	**2021**	2020	Change	**2021**	2020	Change
Gain on sale of property, plant and equipment	**$ 643**	$ 1,478	(56%)	**$ 4,363**	$ 4,380	–
Proceeds on the sale of property, plant and equipment	**$ 1,351**	$ 468	189%	**$ 10,507**	$ 5,936	77%

Disposals of property, plant and equipment result from the rationalization, replacement and upgrade of older equipment in the Company's equipment fleet.

Equipment disposed of during the three months and year ended December 31, 2021 included underutilized rental equipment and heavy trucks, access matting, light duty vehicles, compression rental units, decommissioned drilling and well servicing rigs and ancillary drilling and well servicing equipment. Equipment disposed of during the three months and year ended December 31, 2020 consisted of underutilized rental equipment, light duty vehicles, compression rental equipment, decommissioned drilling rigs and ancillary drilling equipment.

Finance Costs

	Three months ended			Year ended		
December 31	**2021**	2020	Change	**2021**	2020	Change
Finance costs	**$ 1,583**	$ 2,283	(31%)	**$ 6,837**	$ 10,346	(34%)

Finance costs for the three months and year ended December 31, 2021 were lower than the prior year comparable periods due to lower effective interest rates combined with a lower year over year average outstanding balance on the Company's credit facilities.

Income Taxes and Net Income (Loss)

	Three months ended			Year ended		
December 31	**2021**	2020	Change	**2021**	2020	Change
Current income tax expense (recovery)	**$ (285)**	$ 768	nm	**$ (862)**	$ 3,075	nm
Deferred income tax recovery	**(11)**	(3,854)	(100%)	**(2,597)**	(15,125)	(83%)
Total income tax recovery	**$ (296)**	$ (3,086)	(90%)	**$ (3,459)**	$ (12,050)	(71%)
Net income (loss)	**$ 1,036**	$ (1,732)	nm	**$ (428)**	$ (30,455)	(99%)

"nm" - calculation not meaningful

The change from a current income tax expense to recovery on a year over year basis for both the fourth quarter and year ended December 31, 2021 is primarily due to the occurrence of Australian operating losses in 2021 and the resultant recovery of income taxes previously paid.

The year over year change in deferred income tax was primarily a result of changes to temporary differences on the Company's property and equipment following a change in depreciation estimates in the CDS segment in 2020. The deferred tax recovery in 2020 includes the effect of a two percentage point decrease to the Alberta provincial corporate income tax rate substantially enacted effective July 1, 2020.

SEASONALITY

A significant portion of the Company's field operations are conducted in Canada where the ability to move heavy equipment is dependent on ground conditions. As warm weather returns in the spring, the winter's frost comes out of the ground rendering many secondary roads incapable of supporting the weight of heavy equipment until such roads have thoroughly dried out. The duration of this "spring breakup" has a direct impact on the Company's activity levels and operating results in Canada. In addition, many exploration and production areas in northern Canada are accessible only in winter months when the ground is frozen hard enough to support heavy equipment. The timing of freeze up and spring breakup affects the ability to move equipment in and out of these areas. As a result, late March through May is traditionally the Company's slowest period in Canada. Additionally, wet weather in Australia, normally in the first quarter, can restrict the Company's Australian operations. Consequently, quarterly operating results may not be indicative of full year operating results.

SUMMARY OF QUARTERLY RESULTS

	Financial Quarter Ended			
	Dec 31, 2021	Sept 30, 2021	June 30, 2021	March 31, 2021
Revenue	**$ 134,629**	$ 118,881	$ 84,876	$ 93,190
Operating income (loss)	**1,680**	6,415	(4,089)	(5,419)
EBITDA [1]	**22,567**	27,015	19,716	16,717
Cashflow	**22,144**	26,253	16,462	15,332
Cash provided by operating activities	**27,793**	13,294	31,622	16,866
Net income (loss)	**1,036**	4,279	(2,136)	(3,607)
Attributable to shareholders	**1,049**	4,278	(2,108)	(3,579)
Per share data (diluted)				
EBITDA [1]	**$ 0.52**	$ 0.60	$ 0.44	$ 0.37
Cashflow	**0.51**	0.58	0.37	0.34
Net income (loss) attributable to shareholders	**0.02**	0.09	(0.05)	(0.08)
Financial Position				
Total Assets	**$ 813,522**	$ 822,898	$ 811,615	$ 831,963
Long-Term Debt and Lease Liabilities (excluding current portion)	**196,007**	201,967	210,132	229,627
Working Capital [2]	**137,304**	138,383	127,201	135,347
Net Debt [1]	**58,703**	63,584	82,931	94,280
Shareholders' Equity	**493,437**	497,356	492,259	501,950
Common Shares (000's) [3]				
Basic	**43,341**	44,921	44,830	45,072
Diluted	**43,818**	45,164	45,066	45,231

	Financial Quarter Ended			
	Dec 31, 2020	Sept 30, 2020	June 30, 2020	March 31, 2020
Revenue	$ 83,472	$ 77,240	$ 70,770	$ 134,268
Operating income (loss)	(4,013)	(5,894)	(37,161)	10,529
EBITDA [(1)]	19,546	17,869	12,886	30,903
Cashflow	18,431	19,810	13,793	21,911
Cash provided by operating activities	19,226	14,391	36,162	16,343
Net income (loss)	(1,732)	(4,602)	(28,845)	4,724
Attributable to shareholders	(1,739)	(4,618)	(28,765)	4,672
Per share data (diluted)				
EBITDA [(1)]	$ 0.43	$ 0.40	$ 0.29	$ 0.69
Cashflow	0.41	0.44	0.31	0.49
Net income (loss) attributable to shareholders	(0.04)	(0.10)	(0.64)	0.10
Financial Position				
Total Assets	$ 849,579	$ 873,891	$ 898,940	$ 999,229
Long-Term Debt and Lease Liabilities (excluding current portion)	238,937	250,643	255,538	252,035
Working Capital [(2)]	138,940	138,973	130,968	124,010
Net Debt [(1)]	99,997	111,670	124,570	128,025
Shareholders' Equity	510,987	517,067	523,979	552,995
Common Shares (000's) [(3)]				
Basic and diluted	45,081	45,081	45,081	45,087

(1) Please see "Non-IFRS Measures" below for the definition of EBITDA and Net Debt.

(2) Working capital means current assets minus current liabilities.

(3) Basic and diluted shares outstanding reflect the weighted average number of common shares outstanding for the period. See note 16 to the 2021 Financial Statements.

Aboriginal Partnerships

The Company conducts certain of its operations through limited partnerships in which each of the Company and an Aboriginal partner hold one half of the partnership interest. The Company fully consolidates all of these partnerships, with the Aboriginal partners' share in the equity and net earnings of the partnerships reported as non-controlling interests.

SEGMENTED RESULTS

Contract Drilling Services

	Three months ended			Year ended		
December 31	**2021**	2020	Change	**2021**	2020	Change
Revenue	**$ 48,766**	$ 23,288	109%	**$ 146,411**	$ 96,661	51%
Canada	**25,004**	11,587	116%	**72,979**	42,618	71%
United States	**13,909**	5,092	173%	**40,290**	15,233	164%
Australia	**9,853**	6,609	49%	**33,142**	38,810	(15%)
Operating income (loss)	**$ 3,347**	$ (3,608)	nm	**$ (2,932)**	$ (45,924)	(94%)
Canada	**1,152**	(2,762)	nm	**(3,051)**	(35,861)	(91%)
United States	**56**	(2,304)	nm	**(4,285)**	(17,050)	(75%)
Australia	**2,139**	1,458	47%	**4,404**	6,987	(37%)
Operating days [(1)]	**2,340**	1,210	93%	**7,334**	4,533	62%
Canada	**1,342**	747	80%	**4,307**	2,648	63%
United States	**663**	286	132%	**2,041**	781	161%
Australia	**335**	177	89%	**986**	1,104	(11%)
Revenue per operating day [(1)], dollars	**$ 20,840**	$ 19,246	8%	**$ 19,963**	$ 21,324	(6%)
Canada	**18,632**	15,511	20%	**16,944**	16,094	5%
United States	**20,979**	17,804	18%	**19,740**	19,504	1%
Australia	**29,412**	37,339	(21%)	**33,613**	35,154	(4%)
Utilization	**27%**	13%	108%	**21%**	12%	75%
Canada	**19%**	10%	90%	**15%**	9%	67%
United States	**55%**	24%	129%	**43%**	13%	231%
Australia	**73%**	38%	92%	**54%**	60%	(10%)
Rigs, average for period	**95**	98	(3%)	**97**	102	(5%)
Canada	**77**	80	(4%)	**79**	81	(2%)
United States	**13**	13	–	**13**	16	(19%)
Australia	**5**	5	–	**5**	5	–

(1) Operating days include drilling and paid stand-by days.

"nm" - calculation not meaningful

North American drilling activity continued to significantly recover into the fourth quarter of 2021 as compared to 2020 as commodity prices continued to rise. In the U.S., market share gains contributed to a disproportionate increase in operating days relative to the overall increase in industry drilling activity. In Australia, results improved in the fourth quarter of 2021 as two drilling rigs returned to service after completing necessary recertifications and upgrades. During the third quarter of 2021 one drilling rig was removed from service in Australia to complete necessary recertifications and upgrades and returned to service in early February of 2022.

In Canada, revenues increased in both the three months and year ended December 31, 2021 as compared to 2020 due to higher activity levels. Effective day rates for both the fourth quarter and 2021 year were higher compared to 2020 due to the mix of rigs operating and modest rate increases. The realization of operating income in the fourth quarter of 2021 was primarily due to the increased activity levels and was partially offset by a wage increase implemented in the second quarter of 2021. For the year ended December 31, 2021 operating losses decreased relative to the same period last year due primarily to increased activity levels that began in the second quarter of 2021. Negatively impacting financial results for the CDS segment for the year ended December 31, 2020 was $19.3 million of non-recurring depreciation expense on fully depreciated assets as a result of a change in CDS depreciation estimates.

In the US, revenues and operating income (losses) improved for both the three months and year ended December 31, 2021 relative to 2020 as a result of increased activity through a combination of market share gains and overall improvements in industry activity levels. Effective day rates in the fourth quarter and for 2021 were higher compared to 2020 due to the mix of rigs working and modest rate increases. Operating income was realized in the fourth quarter of 2021 as a result of improved activity levels. For the year ended December 31, 2021 operating losses decreased due to increased activity compared to the same period last year, a $1.1 million recovery on the resolution of a property tax dispute in the third quarter of 2021 and a non-recurring $6.4 million increase in 2020 depreciation expense as a result of a change in CDS depreciation estimates. Negatively impacting financial results for the three months and year ended December 31, 2021 was $0.3 million and $1.7 million, respectively, of non-recurring expenses to reactivate idle rigs.

In Australia, revenues and operating income for the fourth quarter of 2021 increased compared to the same period in 2020 due to higher activity levels as two drilling rigs removed from service in the third quarter of 2020 for recertification and upgrades returned to service. One rig returned to service in late April of 2021 and the second in late July of 2021. Effective day rates during the fourth quarter of 2021 were lower than the comparable prior year period due to a decrease in ancillary revenues and the mix of equipment operating. For the year ended December 31, 2021 revenue and operating income was lower compared to the same period last year due to a combination of reduced activity on fewer rigs in service and lower effective day rates as a result of decreased ancillary revenues and the mix of equipment operating. Negatively impacting the year ended December 31, 2021 was $0.2 million of non-recurring mobilization costs incurred to bring the two rigs back in service. Included in the year ended December 31, 2020 was $0.6 million of non-recurring depreciation expense on fully depreciated Australian assets recognized in the period as a result of a change in CDS depreciation estimates.

Rentals and Transportation Services

	Three months ended			Year ended		
December 31	**2021**	2020	Change	**2021**	2020	Change
Revenue	**$ 10,873**	$ 6,975	56%	**$ 36,974**	$ 34,529	7%
Canada	**6,570**	4,826	36%	**25,979**	22,023	18%
United States	**4,303**	2,149	100%	**10,995**	12,506	(12%)
Operating loss	**$ (2,478)**	$ (3,606)	(31%)	**$ (9,858)**	$ (15,085)	(35%)
Canada	**(2,374)**	(2,988)	(21%)	**(8,074)**	(13,297)	(39%)
United States	**(104)**	(618)	(83%)	**(1,784)**	(1,788)	–
Pieces of rental equipment	**9,420**	10,650	(12%)	**9,420**	10,650	(12%)
Canada	**8,540**	9,710	(12%)	**8,540**	9,710	(12%)
United States	**880**	940	(6%)	**880**	940	(6%)
Rental equipment utilization	**14%**	7%	100%	**11%**	8%	38%
Canada	**12%**	6%	100%	**10%**	7%	43%
United States	**30%**	13%	131%	**19%**	19%	–
Heavy trucks	**79**	87	(9%)	**79**	87	(9%)
Canada	**56**	62	(10%)	**56**	62	(10%)
United States	**23**	25	(8%)	**23**	25	(8%)

Revenue from the RTS segment for the fourth quarter and 2021 year increased as compared to the same periods in 2020 as a result of higher utilization in both Canada and the United States as industry activity continued to improve from the extremely challenging industry conditions in North America that began in March of 2020. For the year ended December 31, 2021 relative to the same period in 2020, revenue in Canada improved as activity levels began to recover late in the second quarter of 2021. In the U.S., revenues for the year ended December 31, 2021 were lower than 2020 as industry conditions did not recover to the same extent as Canada.

In Canada, operating losses decreased during the three months and year ended December 31, 2021 relative to 2020. Improved industry activity combined with significant reductions to the fixed cost structure contributed to improved results on a year over year basis. In the U.S., operating losses were lower in the fourth quarter of 2021 as compared to the same period in 2020 as a result of improved activity levels during the period. For the year ended December 31, 2021 operating losses were consistent with 2020 as United States activity levels did not begin to materially improve until the third quarter of 2021. This segment's relatively high fixed cost structure as compared to the Company's other business segments combined with the current inability to increase prices to the extent necessary to offset cost inflation continues to weigh on its financial performance during periods of low equipment utilization. Such fixed cost structure includes costs associated with its significant operating branch infrastructure, including maintenance and repairs, utilities, insurance, property taxes and other infrastructure costs.

Compression and Process Services

	Three months ended			Year ended		
December 31	**2021**	2020	Change	**2021**	2020	Change
Revenue	**$ 49,314**	$ 32,767	50%	**$ 155,315**	$ 136,005	14%
Canada	**37,630**	23,050	63%	**118,555**	96,961	22%
United States	**11,684**	9,717	20%	**36,760**	39,044	(6%)
Operating income (loss)	**$ 1,263**	$ 2,507	(50%)	**$ 9,855**	$ 11,731	(16%)
Canada	**(4)**	1,893	nm	**4,595**	9,447	(51%)
United States	**1,267**	614	106%	**5,260**	2,284	130%
Operating income (loss), % of revenue	**3%**	8%	(63%)	**6%**	9%	(33%)
Canada	**0%**	8%	(100%)	**4%**	10%	(60%)
United States	**11%**	6%	83%	**14%**	6%	133%
Horsepower of equipment on rent at period end	**25,755**	23,700	9%	**25,755**	23,700	9%
Canada	**10,930**	11,150	(2%)	**10,930**	11,150	(2%)
United States	**14,825**	12,550	18%	**14,825**	12,550	18%
Rental equipment utilization during the period (HP)	**50%**	45%	11%	**48%**	61%	(21%)
Canada	**33%**	39%	(15%)	**33%**	50%	(34%)
United States	**75%**	62%	21%	**72%**	86%	(16%)
Sales backlog at period end, $ million	**$ 147.5**	$ 43.9	236%	**$ 147.5**	$ 43.9	236%

Overall revenue reported from the CPS segment increased for the three months and year ended December 31, 2021 as compared to the same periods in 2020. This was mostly due to an increase in Canadian fabrication sales. Fabrication sales bookings began a steady and significant decline starting in 2019. This decline was reversed during the fourth quarter of 2020 and the sales backlog continued its recovery during the fourth quarter of 2021, increasing by another $52.0 million, or 54%, compared to the $95.5 million backlog at September 30, 2021. The timeline for conversion of the sales backlog into revenue varies from order to order and often changes due to factors outside of the Company's control.

Overall operating income for the three months and year ended December 31, 2021 decreased as compared to the same periods in 2020. In Canada, a small operating loss was realized in the fourth quarter of 2021 due to a combination of lower utilization on the compression rental fleet and costs to prepare for substantially higher fabrication activity levels. For the year ended December 31, 2021, operating income in Canada was impacted by lower compression rental fleet utilization, higher costs in preparation of increased activity and an $0.8 million increase to the provision for bad debt expense. In the U.S., operating income increased for both the three months and year ended December 31, 2021 as compared to 2020. This was mostly due to modestly improved pricing, the recognition of COVID-19 relief funds in the second quarter of 2021 upon the forgiveness of a PPP loan received in 2020 and the continued recovery of rental fleet utilization following the return of 6,500 horsepower of compressional rental units in late 2020 with the bankruptcy of a U.S. customer.

Well Servicing

	Three months ended			Year ended		
December 31	**2021**	2020	Change	**2021**	2020	Change
Revenue	**$ 25,676**	$ 20,442	26%	**$ 92,876**	$ 98,555	(6%)
Canada	**12,428**	8,130	53%	**40,035**	26,747	50%
United States	**2,524**	1,277	98%	**9,579**	7,799	23%
Australia	**10,724**	11,035	(3%)	**43,262**	64,009	(32%)
Operating income (loss)	**$ 2,795**	$ 3,087	(9%)	**$ 7,810**	$ 12,858	(39%)
Canada	**1,620**	1,134	43%	**4,356**	(193)	nm
United States	**212**	(114)	nm	**659**	(472)	nm
Australia	**963**	2,067	(53%)	**2,795**	13,523	(79%)
Service hours (1)	**30,525**	24,333	25%	**111,585**	113,428	(2%)
Canada	**16,061**	13,042	23%	**56,562**	42,011	35%
United States	**3,559**	1,837	94%	**13,765**	10,734	28%
Australia	**10,906**	9,454	15%	**41,259**	60,683	(32%)
Revenue per service hour, dollars	**$ 841**	$ 840	–	**$ 832**	$ 869	(4%)
Canada	**774**	623	24%	**708**	637	11%
United States	**709**	695	2%	**696**	727	(4%)
Australia	**983**	1,167	(16%)	**1,049**	1,055	(1%)
Utilization (2)	**33%**	25%	32%	**29%**	26%	12%
Canada	**31%**	25%	24%	**27%**	20%	35%
United States	**32%**	14%	129%	**27%**	21%	29%
Australia	**41%**	36%	14%	**39%**	58%	(33%)
Rigs, average for period	**83**	83	–	**83**	83	–
Canada	**57**	57	–	**57**	57	–
United States	**12**	14	(14%)	**14**	14	–
Australia	**12**	12	–	**12**	12	–

(1) Service hours is defined as well servicing hours of service provided to customers and includes paid rig move and standby.

(2) The Company reports its service rig utilization for its operational service rigs in North America based on service hours of 3,650 per rig per year to reflect standard 10 hour operations per day. Utilization for the Company's service rigs in Australia is calculated based on service hours of 8,760 per rig per year to reflect standard 24 hour operations.

"nm" – calculation not meaningful

Overall segment revenue in the fourth quarter of 2021 increased as compared to the same period in 2020, whereas overall revenues decreased for the year ended December 31, 2021 relative to 2020. North American results for the year ended December 31, 2021 improved compared to the same period in 2020 as the challenging market conditions following the outbreak of COVID-19 in March of 2020 began to ease. Increased well abandonment programs in Canada also contributed to the increase in North American activity during 2021 as compared to 2020. Activity in Australia, which began to moderate in the third quarter of 2020, modestly improved in the fourth quarter of 2021 on a year over year basis.

Canadian revenue in the fourth quarter and year ended 2021 was higher than the same periods in 2020 due to substantially higher activity levels, driven by improved industry activity levels and increased well abandonment activity arising from the federal government's $1.7 billion well abandonment program implemented in 2020. Higher utilization in Canada combined with higher pricing and the mix of equipment operating contributed to improved financial results for the three months and year ended December 31, 2021 as compared to the same periods in 2020.

In the United States, fourth quarter revenue increased in 2021 as compared to 2020 as service hours almost doubled. For the year ended December 31, 2021 revenue was also higher due increased activity, which was partially offset by lower pricing as compared to 2020. Negatively impacting annual results for 2021 as compared to 2020 was the impact of foreign currency translation of foreign results as the Canadian dollar appreciated against the U.S. dollar during 2021. Operating income was realized in both the fourth quarter and year ended December 31, 2021 as compared to operating losses in the same periods in 2020 due primarily to increased activity beginning in the second quarter of 2021.

In Australia lower revenue and operating income for the fourth quarter and year ended December 31, 2021 as compared to the same periods in 2020 was due primarily to lower industry activity levels that began in the third quarter of 2020 as customers reduced their capital spending. Extended wet weather conditions that restricted field operations for much of the first quarter of 2021 continued into the second quarter and also contributed to the decline in activity in for the year ended December 31, 2021 as compared to the same period in 2020.

Corporate

	Three months ended			Year ended		
December 31	**2021**	2020	Change	**2021**	2020	Change
Operating loss	**$ (3,247)**	$ (2,393)	36%	**$ (6,288)**	$ (119)	nm

"nm" – calculation not meaningful

Total Energy's Corporate segment includes activities related to the Company's corporate and public issuer affairs. This segment does not generate any revenue but provides sales, operating, financial, treasury, analytical and other management and support services to Total Energy's business segments and manages the corporate affairs of the Company. Included in the Corporate segment for the three months and year ended December 31, 2021 is $0.4 million of unrealized losses and $2.2 million of unrealized gains, respectively, on the translation of working capital balances of foreign subsidiaries. This compares to a $0.8 million unrealized loss and a $6.0 million unrealized gain for the three months and year ended December 31, 2020.

LIQUIDITY AND CAPITAL RESOURCES

Cash Provided by Operating Activities and Cashflow

	Three months ended			Year ended		
December 31	**2021**	2020	Change	**2021**	2020	Change
Cash provided by operating activities	**$ 27,793**	$ 19,226	45%	**$ 89,575**	$ 86,122	4%
Per Share Data (Diluted), dollars	**$ 0.63**	$ 0.43	47%	**$ 2.01**	$ 1.91	5%
Cashflow	**$ 22,144**	$ 18,431	20%	**$ 80,191**	$ 73,437	9%
Per Share Data (Diluted), dollars	**$ 0.51**	$ 0.41	24%	**$ 1.80**	$ 1.63	10%

The changes in cash provided by operating activities were due primarily to changes in the working capital requirements of the various business segments. Also contributing to the increase in cash provided by operating activities during the three months and year ended December 31, 2021 was $9.4 million and $5.1 million, respectively, of net consumption of previously purchased inventory in the CPS segment due to increased activity. Cash flow increased in the three months and year ended December 31, 2021 compared to the same periods in 2020 as a result of higher EBITDA from increased activity levels. Given uncertain economic and industry conditions, the Company's current priority is to maintain strong financial liquidity, continue to repay long-term debt and repurchase and cancel shares under the normal course issuer bid.

Investing Activities

	Three months ended			Year ended		
December 31	**2021**	2020	Change	**2021**	2020	Change
Net cash used in investing activities	**$ (6,521)**	$ (3,900)	67%	**$ (14,253)**	$ (13,538)	5%
Proceeds from sale of PP&E	**$ 1,351**	$ 468	189%	**$ 10,507**	$ 5,936	77%
Purchase of PP&E	**$ (11,753)**	$ (4,606)	155%	**$ (28,983)**	$ (16,904)	71%

Proceeds from the sale of property, plant and equipment ("PP&E") are derived primarily from the disposal of equipment in the ordinary course of business and the replacement and upgrade of older equipment in the Company's fleet. During the fourth quarter and year ended December 31, 2021, equipment disposed of consisted primarily of light-duty vehicles, underutilized heavy trucks and rental equipment, access matting, compression rental units, decommissioned drilling and well servicing rigs and ancillary drilling and well servicing equipment. For the year ended December 31, 2020 equipment disposed of consisted primarily of underutilized rental equipment, light-duty vehicles, compression and rental equipment, decommissioned drilling rigs and ancillary drilling equipment.

The following summarizes PP&E purchases by segment for the three months and year ended December 31, 2021.

	Three months ended			Year ended		
December 31	**2021**	2020	Change	**2021**	2020	Change
CDS	**$ 7,934**	$ 2,163	267%	**$ 20,491**	$ 4,703	336%
RTS	**883**	167	429%	**1,224**	1,024	20%
CPS	**2,714**	988	175%	**6,205**	7,922	(22%)
WS	**213**	1,288	(83%)	**1,054**	3,243	(67%)
Corporate	**9**	–	nm	**9**	12	(25%)
Purchase of PP&E	**$ 11,753**	$ 4,606	155%	**$ 28,983**	$ 16,904	71%

"nm" – calculation not meaningful

During the fourth quarter and year ended December 31, 2021, PP&E purchases were as follows: drilling rig upgrades, recertifications and ancillary rig equipment purchases in the CDS segment, heavy truck recertifications and rental equipment in the RTS segment, additions to the compression rental fleet in the CPS segment and service rig recertifications and upgrades in the WS segment. Included in 2021 capital expenditures was approximately $1.1 million of capital commitments carried forward from 2020 (2020: $3.7 million carried forward from 2019).

During the fourth quarter and year ended December 31, 2020, PP&E purchases included the following: ancillary rig equipment and rig recertification and upgrades in the CDS segment, information technology upgrades and heavy truck recertifications in the RTS segment, additions to the compression rental fleet in the CPS segment and service rig recertifications and upgrades in the WS segment.

Financing Activities

	Three months ended			Year ended		
December 31	**2021**	2020	Change	**2021**	2020	Change
Net cash used in financing activities	**$ (13,476)**	$ (17,183)	(22%)	**$ (64,953)**	$ (69,461)	(6%)

During the three months and year ended December 31, 2021 net cash used in financing activities was $3.7 million and $4.5 million, respectively, lower as compared to the same periods last year. Contributing to the decrease during the fourth quarter of 2021 was lower interest and debt payments. This was partially offset by $5.3 million of share repurchases in the period. For the year ended December 31, 2021 the decrease in cash used in financing activities as compared to the same period in 2020 was due to $6.5 million lower interest payments, no dividend payments and $2.5 million lower finance lease payments. Partially offsetting this decrease was a $9.6 million year over year increase in share repurchases.

During the fourth quarter of 2021 the Company paid $1.5 million of interest, repaid $5.6 million of long-term debt, made $1.1 million of lease liability payments and repurchased 987,634 shares under the Company's normal course issuer bid for $5.2 million.

During the year ended December 31, 2021 the Company paid $6.6 million of interest, repaid $42.6 million of long-term debt, made $5.8 million of lease liability payments and repurchased 2,099,634 million shares under the Company's normal course issuer bid for $10.0 million.

Liquidity and Capital Resources

The Company had a working capital surplus of $137.3 million as at December 31, 2021 compared to $138.9 million as at December 31, 2020. As at December 31, 2021 and the date of this MD&A, the Company was in compliance with all debt covenants.

On June 19, 2017 the Company entered into a three-year $225.0 million revolving syndicated credit facility (the "Credit Facility"). On April 25, 2018 the Credit Facility was increased by $65.0 million to $290.0 million. On November 10, 2020, at the request of the Company the Credit Facility was reduced to $250.0 million and the maturity date extended to November 10, 2023. On January 12, 2022, at the request of the Company the Credit Facility was reduced to $220.0 million and extended to November 10, 2024. The Company has the option to increase such facility by $75.0 million subject to certain terms and conditions, including the agreement of the lenders to increase their commitments. The Credit Facility includes a Canadian $18.0 million operating line, an Australian $2.0 million operating line and a Canadian $200.0 million revolving facility. The Credit Facility bears interest at the banks' Canadian prime rate plus 0.25% to 2.75%, bankers' acceptance, letter of credit, LIBOR or BBSY advances plus a 1.5% to 4.0% stamping fee. The applicable interest rate within such ranges is dependent on certain financial ratios of the Company. A standby fee ranging from 0.25% to 0.8% per annum is paid quarterly on the unused portion of the facility depending on certain financial ratios of the Company. At December 31, 2021, the applicable interest rate on amounts drawn on the Credit Facility was 2.49% and the standby rate was 0.30%. Letters of credit ("LOC") of $0.3 million were outstanding at December 31, 2021 which reduces the amount of credit available under the Credit Facility by an equivalent amount.

In August of 2018 a U.S. $20.0 million letter of credit facility was established (the "LOC Facility"). Letters of credit ("LOC") issued pursuant to the LOC Facility do not reduce availability under the Credit Facility. In April of 2020 this facility was reduced at the request of the Company to U.S. $10.0 million. At December 31, 2021 $6.6 million Canadian dollars of LOCs were outstanding under the LOC Facility (December 31, 2020: $3.7 million).

In addition to the Credit Facility, a subsidiary of the Company has a $5.0 million revolving operating credit facility with a member of the Credit Facility lenders' syndicate. At December 31, 2021 this facility was undrawn and fully available.

At December 31, 2021 the Company's long-term debt consisted of the following:

	December 31, 2021	
	Interest rate	Principal Amount
Credit Facility	2.49%	$ 130,000
Mortgage loan (2025 maturity)	3.10%	46,920
Mortgage loan (2041 maturity)	3.05%	13,597
		190,517
Less current portion		2,611
		$ 187,906

At December 31, 2021 amounts owing under the Credit Facility and the two mortgage loans were denominated in Canadian dollars.

The weighted average interest rate on the Company's debt at December 31, 2021 was 2.68%.

The Company's ability to access the Credit Facility is dependent, among other conditions, on compliance with the following financial ratios, the definitions and thresholds for which are further described below:

	December 31 2021	Threshold
Twelve-month trailing Bank EBITDA to interest expense	**17.35**	minimum 3.00
Total Senior Debt to twelve-month trailing Bank EBITDA	**1.40**	maximum 3.00

The Company was in compliance with all of its Credit Facility and other debt covenants at December 31, 2021. For further information regarding Credit Facility compliance requirements and details on the Company's borrowings, please refer to note 13 to the 2021 Financial Statements.

The Company expects that cash and cash equivalents, cash flow from operating activities, together with existing and available credit facilities, will be sufficient to fund its presently anticipated requirements for investments in working capital and capital assets as well as required debt and lease liability payments.

Dividends

The Company suspended payment of a dividend on March 12, 2020 given the sudden and material deterioration in industry conditions.

Management and the Board of Directors of the Company continue to monitor the Company's dividend policy in the context of industry conditions and forecasted net income, cashflow, cash provided by operating activities, debt levels, capital expenditures and other investment opportunities and will aim to finance any future dividends through cash provided by operating activities.

Capital Spending

Capital spending for the three months and year ended December 31, 2021 consisted of $11.8 million and $29.0 million of PP&E purchases, respectively. Capital spending was funded by cash flow and $1.4 million and $10.5 million of proceeds from the sale of PP&E during the fourth quarter and year ended December 31, 2021, respectively.

CONTRACTUAL OBLIGATIONS

At December 31, 2021 the Company had the following contractual obligations:

	Payments due by year					
	Total	2022	2023	2024	2025	2026 and after
Long-term debt and bank indebtedness	$ 190,517	$ 2,611	$ 132,671	$ 2,730	$ 41,627	$ 10,878
Commitments (1)	257	217	35	2	3	–
Lease liabilities, net of lease assets	11,283	3,543	2,447	1,719	1,236	2,338
Purchase obligations (2)	29,503	29,503	–	–	–	–
Total contractual obligations	$ 231,560	$ 35,874	$ 135,153	$ 4,451	$ 42,866	$ 13,216

(1) Commitments are described in Note 24 to the 2021 Financial Statements.

(2) Purchase obligations are described in Note 24 to the 2021 Financial Statements. As at December 31, 2021 purchase obligations primarily relate to commitments to purchase inventory in the CPS segment.

OFF-BALANCE SHEET ARRANGEMENTS

During 2021 and 2020, the Company had no off-balance sheet arrangements other than short-term leases.

TRANSACTIONS WITH RELATED PARTIES

During 2021 and 2020 the Company had no material transactions with related parties.

FINANCIAL INSTRUMENTS

Fair Values

The discounted future cash repayments of the Company's mortgage loan due in 2025 are calculated using prevailing market rates of a similar debt instrument as at the reporting date. The net present value of future cash repayments of such mortgage and related interest at the prevailing market rate of 3.93% for a similar debt instrument at December 31, 2021 was $45.8 million (December 31, 2020: market rate of 3.08%, $48.8 million). The carrying value and Company`s liability with respect to this mortgage is $46.9 million.

OUTSTANDING COMPANY SHARE DATA

As at the date of this MD&A, the Company had 42,710,000 common shares outstanding.

Summary information with respect to share options outstanding is provided below:

Outstanding at December 31, 2021	Exercise Price	Remaining life (years)	Exercisable at December 31, 2021
1,175,000	$ 12.69	0.50	1,175,000
60,000	12.00	0.60	60,000
300,000	13.54	1.20	200,000
840,000	9.51	2.40	560,002
631,666	2.31	3.60	216,667
55,000	3.50	4.00	–
800,000	3.72	4.60	–
70,000	4.49	4.70	–
3,931,666	$ 8.30	2.42	2,211,669

OUTLOOK

Industry Conditions

The COVID-19 pandemic and resultant historic decline in global economic activity and oil prices contributed to unprecedented challenges and uncertainty for the global energy industry during 2020 and the first half of 2021. A significant rise in oil and natural gas prices over the course of 2021 and into 2022 has resulted in steadily improving industry conditions, particularly in North America, although producers generally remain disciplined in regard to their capital expenditure programs. Continued uncertainty surrounding the near-term economic impact of COVID-19 mutations causes the Company to remain cautious and manage its business and affairs in a manner to protect its balance sheet and financial liquidity.

The severity of the recent downturn resulted in a substantial increase in bankruptcies and insolvencies among the Company's competitors and customers. While this led to short term challenges, it is expected to result in more balanced market conditions over the long-term in the various markets in which the Company competes as global energy supply and demand rebalances with normalized global economic activity.

RISK FACTORS AND RISK MANAGEMENT

In the normal course of business, Total Energy is exposed to financial and operating risks that may potentially and materially impact its operating results. A discussion of the Company's business risks is set out in its AIF under the heading "Risk Factors" and is incorporated herein. The Company employs risk management strategies with a view to mitigating these risks on a cost-effective basis. There have been no significant changes in risk and risk management in 2021 other than as described below.

Industry Conditions

The dual shocks of the COVID-19 pandemic and collapse in oil prices contributed to extremely negative industry conditions for the global energy industry that only recently have begun to ease. The Company's North American customers have only recently begun to increase capital spending from historic lows and current activity levels are below levels experienced during previous periods of similar oil and natural gas prices. Activity levels in Australia moderated in the third quarter of 2020 and began to recover in the fourth quarter of 2021. While the Company has been proactive in managing its operating cost structure, capital expenditures and dividend policy to adapt to a volatile and uncertain industry environment, a decrease in future industry activity levels may require additional substantive measures be taken to preserve the Company's financial strength and flexibility.

Credit Risk

A sustained increase in oil and gas prices has mitigated counterparty credit risk as a substantial portion of the Company's dealings are with entities involved in the oil and gas industry. Notwithstanding such improvement in the industry environment, the Company remains focused on actively managing credit risk. Specifically, management has remained diligent in assessing credit levels granted to customers, monitoring the aging of receivables and taking proactive steps to secure and collect outstanding balances.

The Company did not have significant exposure to any individual customer or counter party during the three months and year ended December 31, 2021. In the fourth quarter of 2020 and year ended December 31, 2020, the Company did not have any significant exposure to any individual customer or counter party except for one major oil and gas producing company and two major oil and gas producing companies, respectively, that each accounted for over 10% of consolidated revenue.

The Company increased its allowance for doubtful accounts receivable by $1.0 million and wrote-off $1.2 million against the allowance for doubtful accounts during the year ended December 31, 2021, bringing such allowance to an aggregate of $1.8 million as at December 31, 2021.

CRITICAL ACCOUNTING ESTIMATES

Management is responsible for applying judgment in preparing accounting estimates. Certain estimates and related disclosures included within the financial statements are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from management's current judgments. An accounting estimate is considered critical only if it requires the Company to make assumptions about matters that are highly uncertain at the time the accounting estimate is made, and different estimates the Company could have used would have a material impact on Total Energy's financial condition, changes in financial condition or results of operations.

There were no material changes to the Company's Critical Accounting Estimates during 2021.

During the second quarter of 2020, the Company conducted a review of its drilling equipment within its CDS segment. Such review was based on the current economic and operating environment and considered the operating history of these assets in order to assess their useful lives, pace of economic consumption and residual values. As a result of this review, effective April 1, 2020 certain changes were made to the Company's estimates of the useful life and residual values of various CDS assets, which are summarized as follows:

	Previous estimated useful lives	New estimated useful lives	Previous basis of depreciation	New basis of depreciation
Drilling rigs and related equipment	600 to 8,000 operating days	3 – 25 years	utilization (minimum annual deemed utilization of 96 days)	straight-line

As a result of these changes in estimates which related primarily to the estimated useful life and method of depreciation, a non-recurring depreciation expense relating to now fully depreciated assets of $26.3 million was incurred during the second quarter of 2020.

Critical Judgments in Applying Accounting Policies

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

The Company's assets are aggregated into cash-generating units for the purpose of calculating impairment. Cash generating units ("CGU" or "CGUs") are based on management's judgments and assessment of the CGU's ability to generate independent cash inflows. Judgments are also required to assess when impairment indicators exist and impairment testing is required.

The Company is required to exercise judgment in assessing whether the criteria for recognition of a provision or a contingency have been met. The Company considers whether a present obligation exists, probability of loss and if a reliable estimate can be formulated.

The Company's functional currency is based on the primary economic environment in which it operates and is based on an analysis of several factors including which currency principally affects sales prices of products sold by the Company, which currency influences the main expenses of providing services, in which currency the Company keeps it receipts from operating activities and in which currency the Company has received financing.

The Company makes judgments regarding the determination of its reportable segments, including aggregation criteria (as appropriate), for segmented reporting.

Judgments are made by management to determine the likelihood of whether deferred income tax assets at the end of the reporting period will be realized from future taxable earnings.

Key Sources of Estimation Uncertainty

The following are key estimates and their assumptions made by management affecting the measurement of balances and transactions in the consolidated financial statements.

Where impairment indicators exist or annually for goodwill, the recoverable amount of the asset or CGU is determined using the greater of fair value less costs to sell or value-in-use. Value-in-use calculations require assumptions for discount rates and estimations of the timing for events or circumstances that will affect future cash flows. Fair value less costs to sell requires management to make estimates of fair value using market conditions for similar assets as well as estimations for costs to sell taking into account dismantle and transportation costs.

The Company is required to estimate the amount of provisions and contingencies based on the estimated future outcome of the event.

The Company recognizes revenue over time in accounting for its equipment manufacturing contract revenue. Recognizing revenue over time requires estimates of the stage of completion of the contract to date as a proportion of the total work to be performed.

As pertains to property, plant and equipment the Company is required to estimate the residual value and useful lives of assets for purposes of depreciation.

As pertains to accounts receivable the Company is required to estimate allowances for doubtful accounts based on expected future credit losses and experiences with customers.

In a business combination, management makes estimates of the fair value of assets acquired and liabilities assumed which includes assessing the value of property, plant and equipment and intangible assets being acquired.

The Company's estimate of share-based compensation is dependent upon estimates of historic volatility and forfeiture rates.

The Company's estimate of the fair value of forward foreign exchange contracts is dependent on estimated forward prices / rates and volatility in those prices / rates.

The deferred tax liability is based on estimates as to the timing of the reversal of temporary differences, substantively enacted tax rates and the likelihood of assets being realized.

FUTURE ACCOUNTING POLICIES CHANGES

Certain pronouncements were issued recently by the International Accounting Standards Board ("IASB") of the International Financial Reporting Standards ("IFRS") Interpretations Committee that are mandatory for accounting periods beginning in future years. Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

NON-IFRS MEASURES

As described throughout this MD&A, the Company references the following financial measures that are not recognized under IFRS: EBITDA, operating income, cashflow, working capital and net debt. Management believes that, in addition to the amounts reported in the Company's 2021 financial statements, these measures are useful in assessing the Company's performance and liquidity. These measures are unlikely to be comparable with similar measures presented by other companies. The non-IFRS measures referenced in this MD&A reconcile to the IFRS measures reported in the Company's 2021 financial statements as follows, unless reconciled elsewhere:

EBITDA	Three months ended		Year ended	
December 31	**2021**	2020	**2021**	2020
Net income (loss)	**$ 1,036**	$ (1,732)	**$ (428)**	$ (30,455)
Add back (deduct):				
Depreciation	**20,244**	22,081	**83,065**	113,363
Finance costs	**1,583**	2,283	**6,837**	10,346
Income tax recovery	**(296)**	(3,086)	**(3,459)**	(12,050)
EBITDA	**$ 22,567**	$ 19,546	**$ 86,015**	$ 81,204

Net debt is equal to long-term debt plus lease liabilities plus current liabilities minus current assets.

Net Debt	As at December 31, 2021
Long-term debt	$ 187,906
Lease liabilities	8,101
Add back (deduct):	
Current liabilities	88,428
Current assets	(225,732)
Net Debt	$ 58,703

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

Management is responsible for the information disclosed in this MD&A and the accompanying consolidated financial statements, and has in place appropriate information systems, procedures and controls to ensure that information used internally by management and disclosed externally is materially complete and reliable. In addition, the Company's Audit Committee, on behalf of the Board of Directors, provides an oversight role with respect to all public financial disclosures made by the Company, and has reviewed and approved this MD&A and the 2021 Financial Statements.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Chief Executive Officer and the Chief Financial Officer, together with other members of management (collectively, the "Officers"), have designed the Company's disclosure controls and procedures in order to provide reasonable assurance that the information required to be disclosed by the Company and its consolidated divisions, subsidiaries and partnerships in its filings or other reports submitted by it under securities legislation is in compliance with the time periods specified in the securities legislation. These disclosure controls and procedures include controls and procedures which have been designed to ensure that the information required to be disclosed by the Company and its consolidated divisions and subsidiaries in its filings or other reports submitted by it under securities legislation is accumulated and communicated to the Officers and others within those entities to allow timely decisions regarding required disclosure.

Disclosure Controls and Procedures: The Company's disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company is reported within the time periods specified under securities laws, and include controls and procedures that are designed to ensure that information is communicated to management of Total Energy, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosure. An evaluation of the effectiveness of the Company's disclosure controls and procedures (as defined in Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual Financial and Interim Filings) was conducted as at December 31, 2021. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer of Total Energy have concluded that the design and operation of the Company's disclosure controls and procedures were effective as at December 31, 2021.

Internal Control Over Financial Reporting: The Chief Executive Officer and the Chief Financial Officer of Total Energy are responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards ("IFRS"). The Chief Executive Officer and the Chief Financial Officer of Total Energy directed the assessment of the design and operating effectiveness of the Company's internal control over financial reporting as at December 31, 2021 and based on that assessment determined that the Company's internal control over financial reporting was, in all material respects, appropriately designed and operating effectively. There were no changes to internal controls over financial reporting that would materially affect, or be reasonably likely to materially affect, the Company's internal controls over financial reporting during the quarter ended December 31, 2021.

While the Officers have designed the Company's disclosure controls and procedures and internal controls over financial reporting, they expect that these controls and procedures will not prevent all errors and fraud. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION AND STATEMENTS

Certain information and statements contained in this MD&A constitute forward-looking information, including the anticipated costs associated with the purchase of capital equipment, expectations concerning the nature and timing of growth within the various business divisions operated through affiliates of Total Energy, expectations respecting the competitive position of such business divisions, expectations concerning the financing of future business activities, statements as to future economic and operating conditions and expectations regarding the payment of dividends in the future. Readers should review the cautionary statement respecting forward-looking information that appears below.

The information and statements contained in this MD&A that are not historical facts are forward-looking statements. Forward-looking statements (often, but not always, identified by the use of words such as "seek", "plan", "continue", "estimate", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", "expect", "may", "anticipate" or "will" and similar expressions) may include plans, expectations, opinions, or guidance that are not statements of fact. Forward-looking statements are based upon the opinions, expectations and estimates of management as at the date the statements are made and are subject to a variety of risks and uncertainties and other factors that could cause actual events or outcomes to differ materially from those anticipated or implied by such forward-looking statements. These factors include, but are not limited to, such things as global economic conditions, changes in industry conditions (including the levels of capital expenditures made by oil and gas producers and explorers), pandemics, the credit risk to which the Company is exposed in the conduct of its business, fluctuations in prevailing commodity prices or currency and interest rates, the competitive environment to which the various business divisions are, or may be, exposed in all aspects of their business, the ability of the Company's various business divisions to access equipment (including parts) and new technologies and to maintain relationships with key suppliers, the ability of the Company's various business divisions to attract and maintain key personnel and other qualified employees, various environmental risks to which the Company's business divisions are exposed in the conduct of their operations, inherent risks associated with the conduct of the businesses in which the Company's business divisions operate, timing and costs associated with the acquisition of capital equipment, the impact of weather and other seasonal factors that affect business operations, availability of financial resources or third-party financing and the impact of new laws and regulations or changes in existing laws, regulations or administrative practices on the part of regulatory authorities, including without limitation taxation, labour and environmental laws and regulations and changes in how such laws and regulations are interpreted and enforced. Forward-looking information respecting the anticipated costs associated with the purchase of capital equipment are based upon historical prices for various classes of equipment, expectations relating to the impact of inflation on the future cost of such equipment and management's views concerning the negotiating position of the Company and its affiliates. Forward-looking information concerning the nature and timing of growth within the various business divisions is based on the current budget of the Company (which is subject to change), factors that affected the historical growth of such business divisions, sources of historic growth opportunities and expectations relating to future economic and operating conditions. Forward-looking information concerning the future competitive position of the Company's business divisions is based upon the current competitive environment in which those business divisions operate, expectations relating to future economic and operating conditions, current and announced build programs and other expansion plans of other organizations that operate in the energy service business. Forward-looking information concerning the financing of future business activities is based upon the financing sources on which the Company and its predecessors have historically relied and expectations relating to future economic and operating conditions. Forward-looking information concerning future economic and operating conditions is based upon historical economic and operating conditions, and opinions of third-party analysts respecting anticipated economic and operating conditions. Although management of the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Accordingly, readers should not place undue reliance upon any of the forward-looking information set out in this MD&A. All of the forward-looking statements of the Company contained in this MD&A are expressly qualified, in their entirety, by this cautionary statement. The various risks to which the Company is exposed are described in additional detail in this MD&A under the heading "Risk Factors" and in the Company's AIF. Except as required by law, the Company disclaims any intention or obligation to update or revise any forward-looking information or statements, whether as a result of new information, future events or otherwise.